

Solutions for Rising Commercial Insurance Rates

Includes:

Final Report

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RISING COMMERCIAL INSURANCE

IN PETERBOROUGH,
ONTARIO



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Executive Summary

In recent years, local organizations have expressed their concerns over rising commercial insurance rates. With this posing a threat to the success of these businesses, it is necessary that commercial insurance trends in Peterborough and the surrounding areas are further investigated. With a deeper comprehension of insurance trends in this area, we can develop appropriate policy recommendations to limit the cost burden associated with high premiums. The purpose of this research is to:

- Understand commercial insurance trends in Peterborough.
- Determine why insurance costs have been rising.
- Suggest recommendations to reduce the burden of insurance costs.

Through primary and secondary research objectives, it was found that the majority (88%) of business respondents indicated that their insurance premiums have risen in the last 5 years, with the greatest percentile (40%) indicating that the rise in their insurance premium was “a moderate amount”. It was also found that only 31% of businesses indicated that their ability to purchase a suitable policy has been affected by rising premiums. Interpreting these findings, it seems as though businesses in the Peterborough area are managing. However, high insurance costs still pose challenges to continued success.

For this reason, recommendations for advocacy have been made to reduce the cost pressure placed on businesses. These recommendations include:

- Incentivising the use of specific building materials, like hurricane roof straps.
- Policy that requires insurance companies to base underwriting in the Restaurant/Hospitality sector on units of alcohol sold.
- Reform to Ontario’s joint and several liability frameworks.
- Future investigation of impact resulting from the amendment of the Occupier’s Liability Act.

Introduction

The main objective of commercial insurance is to protect businesses against the risks associated with their operations. Organizations may require coverage for a variety of business-related risks. The most common types of commercial insurance are general liability insurance, automobile insurance, property insurance, interruption insurance, and most recently, cyber insurance.

Although cumbersome, insurance is a necessary cost that businesses must commit to carrying. Without insurance, the businesses that uphold our Canadian economy could be wiped out by disaster (IBC, n.d.). However, high insurance costs are seemingly becoming a significant cost barrier for different business sectors.

The current and future implications of these high costs have called for necessary action in support of businesses. This compelled the Insurance Bureau of Canada to launch a commercial task force (IBC, 2020). This commercial task force is challenged with bringing together stakeholders in insurance from across the country to find ways to help keep insurance available and affordable across the country (IBC, 2020). This same task is now being faced by our local Peterborough community.



Source: Peterborough DBIA

Just recently in Peterborough, there was a motion to raise the minimum commercial general liability insurance for outdoor patios from \$2 million to \$5 million (Davis and Lothain, 2024). This resulted in pleas from local businesses who cannot bear the insurance cost increases (David and Lothain, 2024). Despite this motion not coming into fruition, it still poses as a future threat to the restaurant sector, who are still currently recovering from the effects of the COVID-19 pandemic (David and Lothain, 2024). The restaurant sector is not alone in dealing with rising insurance costs; numerous Ontario snow removal companies have been forced to surrender amid soaring prices (Seputis, 2021). This comes as a result of more slip-and-fall lawsuit claims against these companies (Seputis, 2021).

Purpose

High commercial insurance premiums seem to be posing a serious threat to businesses across Canada, and Peterborough is no exception with local organizations expressing their concerns about rising insurance costs. The advocacy for business in this region by the Peterborough and Kawarthas Chamber of Commerce (PKCC) has encouraged the discovery-based research of commercial insurance trends in Peterborough and its surrounding areas. This research is being conducted with the intent of answering research questions “What are the commercial insurance trends in Peterborough?” and “Why have insurance costs been increasing?”. These questions are being asked with the intent of developing recommendations for changes in insurance related policies. These recommendations may be advocated for by the PKCC and the larger Chamber Network.

Methodology

To discover more about the trends in business insurance premiums, a survey was distributed to various businesses in this area [See Exhibit 1]. Through channels such as the PKCC newsletter, the Trent Community Research Centre’s (TCRC) contact list, and social media, a broad group of organizations were targeted to get diverse perspectives on the topic of commercial insurance. Given the problem addressed above, these questions seek to discover the severity of insurance premium increases as well as assess industries hardest hit by insurance rate increases, for sector specific recommendations. Seventeen organizations from the community contributed to this research by participating in the questionnaire.

To better understand current commercial insurance trends, this research also involved interviews with insurance industry professionals, for their expertise on the topic. Industry professionals ranged from local insurance brokers to individuals representing the Insurance Bureau of Canada (IBC). They were contacted via email requesting their participation in a 30-minute casual interview. Questions were formulated to gauge trends in insurance prices, claims, non-renewals, and more [See Exhibit 2]. Their involvement also contributed to the development of policy recommendations to reduce the cost of insurance for businesses.

Secondary data collection has been used as a method of discovering national and global trends in commercial insurance prices and claims.

Findings

Insurance Rate Trends

Insurance is a cyclical industry, going through periods of soft-market and hard-market conditions. At the start of 2019, the Canadian insurance market entered a period of hard-market conditions, which consists of higher rates and reduced underwriting capacity (Deloitte, 2020). During this time, many businesses from varying sectors experienced changes in their insurance.

Primary Research: Business Surveys

In the local Peterborough community, it was found that 88% of business respondents have experienced an increase in their insurance premium in the last five years. Of these respondents, when asked how much their insurance premium has increased in the last five years, 27% indicated “a little”, 40% indicated “a moderate amount”, 7% indicated “a lot”, and 27% indicated “a great deal”. [See Figure 1].

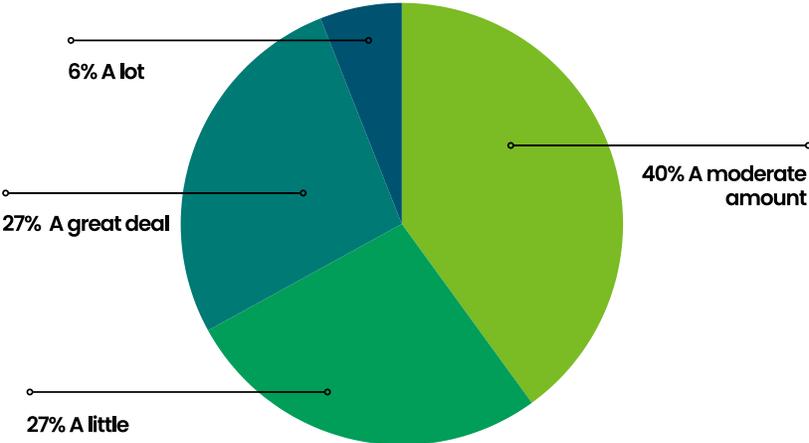


Figure 1. Magnitude of Rate Increases

When participants were asked to indicate their agreement with the statement “insurance premium increases have been justified”, 19% agreed, 50% disagreed, and 31% neither agreed nor disagreed [See Figure 2].

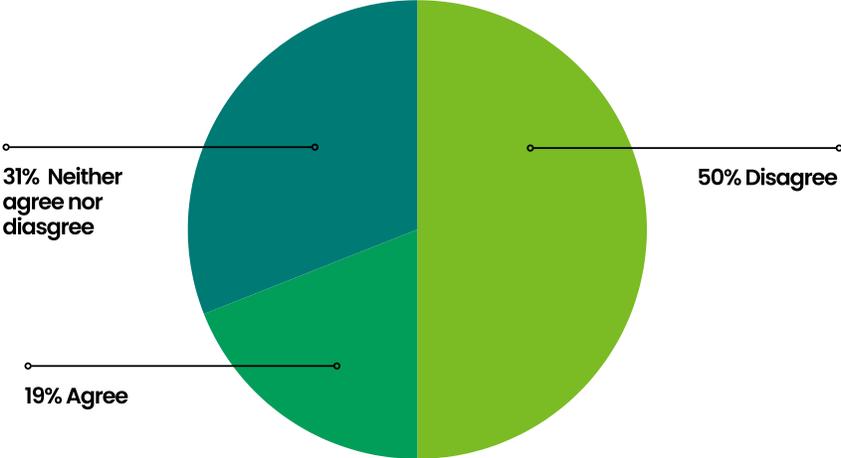


Figure 2. Agreement with the statement "Insurance premium increases have been justified."

Despite this, only 31% of respondents indicated that their ability to purchase a suitable policy has been impacted by high insurance costs. [See Figure 3]. This indicates that despite there being premium increases, many businesses seem to be managing these costs.

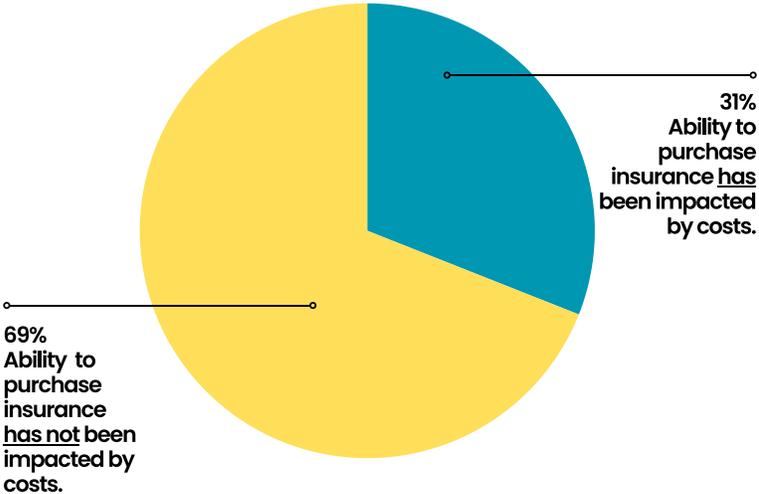


Figure 3. Impact of rising insurance costs.

Of total respondents, 41% indicated that they were in the construction sector [See Figure 4]. From this sector, 29% indicated that high insurance costs have prevented them from affording a suitable policy with one of the respondents explaining that “[The] Cost of exact coverage [they] wanted was prohibitive. [They are] keeping extra cash on hand to cover emergencies”.

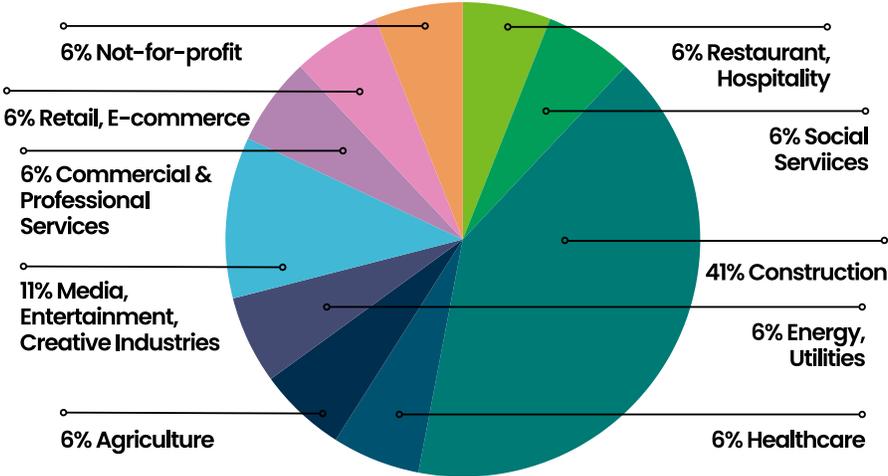


Figure 4. Respondents

Primary Research: Industry Professional Interviews

It was discovered that the peak of the hard-market cycle was during 2020. Since the end of 2020, insurance rate increases have reduced and began to stabilize. Over this period, premium increases in the Peterborough area generally fell in the range of 15-20%. These levels of increases are on-par with past trends experienced in hard-market conditions.

Secondary Research

Aggregate trends also indicate that insurance premium prices are stabilizing. Global trends show that following the peak of insurance hikes in Q4 2020, premium hikes have decreased to 2% in Q4 of 2023 (Marsh, 2024).

Canadian trends also show that through years 2021-2023, commercial insurance rates have been increasing at a decreasing rate (Applied Systems, 2023). This was seen in sectors such as Business and Professional Services, Construction, Erection and Installation Services, Real Estate Property, and Retail services (Applied Systems, 2023). However, in the Restaurant/Hospitality sector, insurance premiums have been increasing at an increasing rate (Applied Systems, 2023).

Reasons for Increasing Rates

Insurance underwriting and pricing is a complicated process. Many factors are considered when pricing commercial insurance premiums, such as business size, revenue, operations, location, building structure, and insurance claims history. The combination of these factors are taken into consideration and then valued based upon risk.

Primary Research: Industry Professional Interviews

It was found that the reason for increasing insurance premiums ultimately fell to two concerns: an increased number of claims mostly from extreme weather events and instability in the economy.

As a result of climate change, there has been an uptick in extreme weather events occurring across Canada. In May of 2022, a severe windstorm traveled through Peterborough and other southern Ontario cities (Examiner staff, 2022). The Ontario derecho caused extreme damage to property and left neighbourhoods without electricity for days (Examiner staff, 2022). As a result of this, many local businesses experienced interruptions to their business operations, losing supplies and revenue. Many businesses were forced to make insurance claims at this time, in turn, resulting in increased insurance costs.

Recent instability in the economy has been a challenge for everyone, particularly referring to fluctuating interest rates and rising inflation. Insurance companies are no exception to these challenges. Insurance companies generate money through underwriting income and investment income. A low interest rate environment in recent years has reduced the capacity for investment income and forced insurance companies to rely more heavily on underwriting income from the course of their business.

On top of this, inflationary pressures have driven up insurance premiums, particularly for property and inventory. As companies' asset values rise, so does the cost to replace them in case of damage or loss. Therefore, insurers are forced to adjust premiums accordingly to cover these higher replacement costs.

Secondary Research

Secondary research on aggregate trends shows similar findings. Within Canada, commercial property claims have nearly doubled between 2010 and 2022 (IBC, 2023). On top of this, because of the severity of natural disasters in Canada, catastrophic losses have risen dramatically over the last decade. Catastrophic losses are defined as losses of \$30 million or more and hit an average of \$2.3 billion between 2011 and 2020 (IBC, 2023). Notable extreme weather events that took place in Canada in 2022 are Hurricane Fiona, the Ontario-Quebec derecho, and the Eastern Canada bomb cyclone (IBC, 2023).

On a global scale, commercial property insurance continues to see the greatest increases, increasing by 6% in Q4 of 2023 (Marsh, 2024). This is largely due to high property valuations amid rising global inflation (Marsh, 2024).

Limitations

The research findings are based on a limited number of research participants. Therefore, they may not be an exact representation of commercial insurance trends. This became an obstacle when attempting to find trends and meaningful relationships between the business sector and other variables like type of insurance required, magnitude of premium increases, and ability to afford a suitable policy. However, the research conducted was used as a guide when developing actionable recommendations.

Lack of prior research on commercial insurance in the Peterborough area means that the secondary research conducted is based mostly on national and global trends. This opens the opportunity for more research on this topic to be completed. Additional efforts to recruit participants for this research could lead to more substantial and significant findings, specific to the Peterborough area.

Conclusion

Insights from the primary research reveal increasing insurance premiums among businesses in Peterborough, predominantly caused by extreme weather and economic instability. Despite finding varying perspectives on the topic, insurance costs in Peterborough appear to be manageable and on-par with historical trends. However, issues are still prevalent, particularly in the construction sector, who find themselves impacted by the high cost of commercial insurance.

The trends observed in Peterborough are supported by secondary research findings. A gradual moderation of premium increases is noted, signaling a potential shift from the hard-market cycle towards stabilization. However, challenges persist with sectors like the Restaurant/Hospitality sector, who are still facing increasing cost pressures.

While there is a stabilization in premium increases across various lines of commercial insurance, it is notable that property insurance continues to rise. This discrepancy highlights the challenges faced by businesses in mitigating risks associated with property damage and high property valuations amid rising inflation.

Recommendations

After examining commercial insurance trends and the factors contributing to premium increases, several policy recommendations have been made to support Peterborough businesses.

1. Incentivizing the use of building materials that make buildings more structurally sound.

Commercial property insurance continues to be the insurance line that places the highest cost pressure on purchasers of insurance. This is largely due to factors such as inflation, which increases the replacement value of the property. On top of this, a surge in weather related incidents across Ontario have driven up the number of property insurance claims made. To mitigate the risk associated with damage to commercial properties, it can be incentivized that new and existing properties be built or retrofitted with materials that add soundness to the building. For instance, the installation of hurricane straps. Hurricane straps are small metal brackets that help fasten a building's roof to the walls (Baum & Ha, 2023). They are relatively cheap, costing only a few hundred dollars per building, making them relatively cost effective for a business to install (Baum & Ha, 2023). This promotion has the potential to yield dual benefits. Not only can it limit the damage to commercial properties resulting from adverse weather, but it may also offer insurance premium discounts for property owners. However, it is important to consider that this recommendation may give rise to concerns regarding the heritage designation of properties, which there are several of in the Peterborough area. Retrofitting designated heritage buildings may pose greater challenges and costs, compared to contemporary structures.

2. Policy that requires insurance companies to base underwriting in the Restaurant/Hospitality sector on units of alcohol sold rather than a percentage of revenue.

The Restaurant/Hospitality sector has been experiencing significant rises in insurance premiums. Of these businesses, those with high liquor exposure are more vulnerable to increasing costs. Currently, insurance underwriting on establishments serving alcohol is rate-based on revenue (Contant, 2023). However, this may not be considered the most accurate approach to valuing a business's liquor exposure (Contant, 2023). To put this into perspective, an establishment serving drinks for a cheaper price may make less money and therefore pay less of a premium based on traditional underwriting (Contant, 2023). However, their exposure to risk is greater because they are serving more units of alcohol (Contant, 2023). Due to this, it can be recommended to change the policy of insurance underwriting for establishments serving alcohol. To gauge a business's liquor exposure more accurately, underwriting should be based on units of alcohol sold rather than revenue based. This ensures that businesses are paying fair premiums based on their actual liquor exposure.

3. Reform to Ontario's joint and several liability framework, protecting businesses with significant exposure (i.e. restaurants serving alcohol) from unfair financial obligations (IBC, 2023).

As previously noted, businesses in the Restaurant/Hospitality sector, especially those with liquor exposure, have been facing particularly high insurance premiums. A significant contributing factor to this is Ontario's joint and several liability (JSL) frameworks. Under Ontario's joint and several liability frameworks, a plaintiff can sue any or all defendants in a legal action and recover the full damages awarded from any one or more of the defendants (Cripps, 2024). Hence, in a lawsuit, if a judge determines that many individuals or entities share joint and several liability for the plaintiff's injuries, any one of them can be pursued for payment of the entire amount (Cripps, 2024). This has created pressure on insurance to cover the cost of these claims, forcing increases to premiums (Cripps, 2024). As a result of this, it is recommended that reforms be made to the Ontario JSL framework to distribute damages based on full proportionate liability (Cripps, 2024). This allows businesses with high liability exposure, like those serving alcohol, to avoid inequitable financial obligations when another defendant is unable to pay, hence reducing pressure on insurance premiums (IBC, 2023).

4. Future investigation of impact resulting from the amendment of the Occupier's Liability Act.

With slip and fall lawsuits on the rise in Ontario, the Ontario government acted, passing Bill 118 to the Occupier's Liability Act. The change means that slip and fall claims must be served within 60 days of the incident rather than the previous two-year time frame (Foran, 2021). This change may work to dissuade frivolous claims and allow businesses to preserve evidence to defend themselves in the wake of a claim (Gates, 2021). This allows insurance companies to provide more affordable insurance coverage in sectors like snow removal, construction, and independent contracting (Gates, 2021). While it is currently premature to draw conclusions, it is important to examine the potential cost benefits of this legislative change over time.

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Exhibits

Exhibit 1: Business Survey Questions

This displays the questions posed to businesses in a questionnaire and distributed throughout Peterborough.

Business Survey Questions

Q1. Please select the sector that your business belongs to.

- Financial Services
- Commercial and Professional Services
- Insurance
- Tech
- Aerospace
- Manufacturing
- Energy, Utilities
- Construction
- Transportation
- Retail, E-Commerce
- Food/Restaurant, Hospitality
- Healthcare
- Media, Entertainment, Creative Industries
- Other

Q2. If "Other" please list your industry below:

Q3. How would you define the size of your business?

- 0 – 1 Employees
- 2 – 15 Employees
- 16 – 50 Employees
- 51 – 500 Employees
- 500+ Employees

Q4. What kind of insurance coverage does your business require? (Please select all that apply)

- Automobile Insurance
- General Liability Insurance
- Interruption Insurance
- Property Insurance
- Cyber Insurance

Q5. Have you experienced an increase in your business premium insurance in the last 5 years?

- Yes
- No

Q6. How much has your insurance premium increased within the last 5 years?

- None at all
- A little
- A moderate amount
- A lot
- A great deal

Q7. Please indicate your agreement with the following statement. Insurance premium increases have been justified.

- Strongly disagree
- Somewhat disagree
- Neither agree nor disagree
- Somewhat agree
- Strongly agree

Q8. Has the cost of insurance affected your ability to purchase a suitable policy?

- Yes
- No

Q9. If "Yes" above, please feel free to provide detail below:

Q10. Have you been unable to find appropriate insurance coverage for specific risks?

- Yes
- No

Q11. If "Yes" above, please feel free to provide detail below:

Exhibit 2: Industry Professional Interview Questions

This shows the questions used to guide conversation with insurance industry professional. These questions were used to gauge trends in commercial insurance and uncover reasons for increasing insurance rates.

Industry Professionals Interview Questions

- Q1.** Are businesses within Peterborough and the Kawarthas grouped with any other cities when calculating insurance?
- Q2.** What main factors are taken into consideration when calculating commercial insurance for businesses in this area?
- Q3.** Other than inflation, what has caused insurance rates to rise over the last five years?
- Q4.** From your understanding, what has been the trend of insurance rate prices in the last few years, in general percentage increases?
- Q5.** What would you suggest businesses do to lower their insurance rates?
- Q6.** Are there any areas that you could suggest for a shift in liability that would reduce rates for businesses?
- Q7.** Are you aware of any legislation that would significantly affect how businesses deal with/select insurance?
- Q8.** How can businesses work with insurance companies to reduce insurance premiums in a non-combative way?
- Q9.** What factors causing insurance to rise are within the businesses control and what factors are not?
- Q10.** What do you think businesses need to know to make good insurance decisions?

Exhibit 3: Interview with Industry Professional #1

This shows the responses of industry professional #1 when posed questions relating to rising commercial insurance.

Industry Professional #1

1) Other than inflation, what has been causing commercial insurance rates to rise over the last five years?

- 8 billion in claims.
- Competitors – competing for business.
- Influenced by world events (reinsurance).
 - An earthquake in turkey or flooding in China - paid by reinsurance and could impact insurance companies in Canada.
- Premiums go up as replacement costs are going up because values are going up.
 - Companies have higher values of inventory, and their insurance is tied to that value.
- Interest rates – insurance companies use money and invest. If interest rates are low (investment income is low) companies have no choice but to increase the premiums because of the claims costs.
- Highly regulated industry.
 - Alberta – competition act, insurance act, securities act.
- Insurance companies invest in bonds – when interest rates go up, bond rates go down, and therefore insurance companies do not make as much investment income. Must compensate for this with income from premium

2) From your understanding, what has been the trend of insurance rate prices, in general percentage rate increases? Are these trends consistent with what we have seen in the past in a hard-market, or is something exceptional happening recently that is pushing rates up?

- Currently we are reaching the end of hard market cycle.
- The peak of hard market was in 2020.
- As of right now, on average, insurance premiums have decreased 1% in Canada.
- Domestically, we are starting to see a stabilization for the first time in 18-20 quarters. Most of this was an impact of macroeconomic factors.
 - Current stabilization of interest rates.
 - Supply chain challenges resolved.
 - Delays in manufacturing had impacted many industries, forcing insurance costs up (e.g. Vehicle manufacturing).

Exhibit 3: Interview with Industry Professional #1 (continued)

3) Are there any business sectors that you know of that have been most impacted by rising insurance rates? Why do you think that is?

- There has been an increase in cyber hacks.
 - RCMP, Elections Canada, Canada border and Service Agencies.
 - This has largely impacted industries with high internet-based risks.
- There was a peak of cyber-attacks during the COVID-19 pandemic.
 - For every \$100 in premiums, there was \$400 paid out in claims relating to cyber-attacks.
- Construction Industry.
 - Lumber prices have been risen because of the macroeconomy.
 - The cost of skilled labour is also going.
- Restaurant Industry.
 - During the pandemic many restaurants shut down.
 - Many restaurants took on another business operation to survive the pandemic, this results in increasing premiums.
 - Restaurants took on different business risks and increased their exposure to risk.
 - Restaurants did not have the same type of trained staff during COVID-19 as many staff went on to different industries that had more sustainable work at the time.
 - Ontario's joint and several liability frameworks.
 - Example: Someone was hurt in an accident related to drinking out at bars/restaurants are choosing to sue the bars that they visited that evening for \$1M.
 - A restaurant may be found to be only 1% liable by the courts, but if the other liable entities cannot pay, they might have to pay the full \$1M lawsuit.
 - Unknown risk factors with restaurant.

4) Are you aware of any policy/legislative changes that have increased insurance in any sectors?

- Municipality that allows a business to build in a hazardous area (e.g. Flood plain).
- Regions and Municipalities need to strengthen building codes.
 - Hurricane roof straps.
 - Provinces have building codes – straps could be included in the building code.
 - Municipality could introduce a bylaw to help reduce/prevent risks and costs associated with extreme weather.
- Taxes are also increasing the price of insurance created by the government.
- Some jurisdictions healthy levy for vehicles
 - Government health authority
- The federal government has taken fiscal action to influence the domestic inflation rate. With premiums tied to the inflation rate, this has impacted insurance costs.

Exhibit 3: Interview with Industry Professional #1 (continued)

5) Following up, are there any policy/legislative changes that have aimed to decrease insurance rates in any sectors?

- Ontario Government – Bill 118:
 - Not uncommon for claims to settle 5-10 years down the road.
 - Claims go through extremely long court process.
 - Shortening the time-period gives businesses the opportunity to collect evidence and information to help defend themselves in court. Helps businesses know their policies in place (e.g. agreement with snow clearing operators_.
- Too early to tell if this change will have an impact on prices.

6) How do businesses reduce their insurance costs?

- When insurance companies ask businesses how much their inventory is worth, some companies choose to value their inventory incorrectly (higher or lower) and this influences their premium.
 - Making sure to correctly value inventory/assets.
- Making sure you have the right insurance to cover the risks that your business is exposed to. Not over-insured or under-insured.
- Make every attempt to prevent a claim from ever happening in the first place.
 - Risk Management.
- In many cases with small and medium sized businesses, one person does everything. This person does not always have the best skill set on risk management.
 - Could be as simple as making sure staff know how to use fire extinguisher.
 - Training staff properly.
 - Making sure staff have their smart serve (in restaurant industry).
- Reviewing insurance limits. This may help to reduce the policy. However, it is important to recognizing that if you reduce your policy too far, you could have a loss that is not covered.
- Having an insurance representative that you can trust and rely on.
- Businesses should invest in themselves (research, available options, do I need this coverage, options if I did not have this coverage).

7) Extra Resources:

- <https://www.ibc.ca/industry-resources/resources-data/facts-book>
- <https://www.ibc.ca/news-insights/in-focus/joint-and-several-liability-can-take-fun-out-of-tobogganing>
- <https://www.ibc.ca/insurance-basics/business>
- <https://businessinsurancehelp.ca/ibc-national-commercial-insurance-task-force-final-report/>
- <https://businessinsurancehelp.ca/news-and-reports/>

Exhibit 4: Interview with Industry Professional #2

This shows the responses of industry professional #2 when posed questions relating to rising commercial insurance.

Industry Professional #2

1) Are businesses within Peterborough and the Kawarthas grouped with any other cities when calculating insurance?

- Business Insurance is coded by numbers in a territory.
- Uses Postal Codes.
- Region does not play that big of a role in determining insurance price.
- Building and age details are what make it more expensive, and other factors like revenue of business, operations, etc....
- For example, if an accountant on the East side of town and an accountant in the downtown have same building status, similar revenue (etc....) they will likely pay a very similar insurance premium.

2) What main factors are taken into consideration when calculating commercial insurance for businesses in this area?

- Experience in the business (how long have you had the business for/been running operations).
- Insurance history and claims history.
- Revenue of business
 - The larger the revenue, the more risk and liability, and therefore the higher the insurance premium will be.
- The size of the business.
- The footprint/foot-traffic
 - How many patrons do you see coming onto the property?
- The operations and the industry.

3) Other than inflation, what has caused insurance rates to rise over the last few years?

- The number of claims
 - Everyone is paying individual insurance to cover the collective.
 - The biggest issue is people think "this will never happen to me", therefore many unwilling to pay higher insurance costs.
- Large weather events like the May 2022 storm.
 - Many businesses lost power, revenue, supplies (food), and therefore had to make claims, in turn increasing insurance costs.
- Inflation
 - Material prices and cost of labour are both increasing which means the liability that the insurance company is taking on costs more.
 - On top of this, insurance companies need to make a profit too. Therefore, they charge more to help pay for the business costs that they are taking on.

Exhibit 4: Interview with Industry Professional #2 (continued)

4) From your understanding, what has been the trend of insurance rate prices in the last five years?

- Prices are increasing \$200-\$500 year to year.
 - This is normal/on-par.
- The increases have not been too big unless the operations of the business have changed.
- The biggest increases have been on vehicle insurance.
 - There is now a list of high-theft vehicles (makes/models) and there is a surcharge associated with having one of these vehicles.
 - Being proactive and putting security tags/trackers on the vehicles can reduce risk and potentially get rid of the surcharge.
- We are in a hard market cycle.
 - Underwriters have been tightening up.
 - They need to make a profit too, and there are more claims happening.
 - Risks are being declined. Insurance companies might not want to take on a business in a particular sector because they have too much exposure to that industry already.
 - Because of this, insurance costs are high, and an insurance provider is harder to find.

5) What industries have seen the most dramatic price changes?

- Delivery drivers/uber drivers.
 - They take on a lot of risk.
- Driving Ms. Daisy → They drive around older people to grocery store, mall, etc.
 - They take on a lot of risk/liability and therefore insurance premiums are extremely high.
 - The idea of accident benefits – if the people in the back of Ms. Daisy's vehicle do not have their own insurance, they are covered under Ms. Daisy's insurance up to a certain amount. This makes Ms. Daisy's insurance much higher, and they are taking on liability for many other people's wellbeing.

Exhibit 4: Interview with Industry Professional #2 (continued)

6) What would you suggest businesses do to lower insurance rates?

- Businesses need to look at insurance as a primary cost in their business.
- Commercial insurance is much more complicated than personal insurance.
- Brokers cannot quote commercial insurance, they must contact the insurance company, so it takes more time (1-2 weeks to get a quote)
- It is important that business owners understand what the price of insurance is going to be right from the start. Once businesses have a quote, their premium does not change THAT much year to year.
- As you start making more money (higher revenue) insurance prices are going to go up (because you have more liability).
- Businesses need to think of everything that they imagine their business to be (their hopes and dreams of what the business could become) right off the bat, so that this can be included in the initial quote.
 - The issue is that business owners make BIG changes to the operation of their business down the road, and then see big increases in their insurance premium or the insurance company is no longer willing to cover them for that business operation.
 - If they are upfront about the operational plans of the business in the future, then that will be worked into the initial insurance premium – and they will not be charged for something that they are not doing (but it is worked into the gross receipts) to ensure that the insurance company will cover them down the road and that it is something that the business owner can afford to take on.

7) How can businesses work with insurance companies to reduce insurance premiums a non-combative way.

- Be pro-active.
- Be mindful of the risk that they are taking on as a business.
- Keeping on top of what you have – for example ensuring locks on gates and things of this kind that will reduce the possibility of having to make a claim.
 - Avoiding claims when possible.
- Being insured correctly.
- Being honest about financial situations/hardships and changes in the operations of the business.
- The only thing businesses really have control over in terms of price is reducing their claim exposure.

Exhibit 4: Interview with Industry Professional #2 (continued)

8) What do you think businesses need to know to make good insurance decisions?

- Understand their policy/coverages.
- If something comes up/you do not understand something review it (at least once per year).
- Think about insurance more!
- Do it at the start insurance should be one of the first things you think about.
- Insurance is important! It is important to think that if you did not have insurance and had a claim, it would take a long time to pay off. So, although it is unfortunate to have to pay insurance, it is extremely important.
- Brokers are there to help.
- The most important thing is not about finding the cheapest insurance, it is about finding the most suitable/appropriate insurance.

Exhibit 5: Interview with Industry Professional #3

This shows the responses of industry professional #2 when posed questions relating to rising commercial insurance.

Industry Professional #3

- 1) What main factors are taken into consideration when calculating commercial insurance for businesses in this area?**
 - Depends on the type of business.
 - Based simply on exposure.
 - Perception of risk drives premiums up.

- 2) Other than inflation, what has caused insurance rates to rise over the last 5 years.**
 - 2002-2004 Major flooding in Peterborough.
 - Hard-market conditions.
 - Investment income for insurance companies has reduced, so they must rely on income from premiums.
 - Climate change and extreme weather.

- 3) What has been the trend of insurance rate prices in the last few years?**
 - 15-20% increases year over year over the last 4-5 years.
 - Price increases are starting to slow down.

- 4) Which industries have experienced the most dramatic price increases?**
 - Car Dealerships
 - Inventory piling up.
 - Many claims.
 - Trades (roofers, plumbers, electricians)
 - Higher perceived risk.

- 5) What recommendations can be made to lower insurance costs for businesses?**
 - Inspection programs → Suggestions about the physical/housekeeping.
 - Fleet management systems.
 - Sprinkler systems.
 - For restaurants → maintain fire suppression systems.
 - Key control for commercial vehicles.
 - Paying a higher deductible.

Exhibit 6: Questionnaire Responses

This shows the data collected from questionnaires distributed to businesses within Peterborough.

Survey Respondent	Sector	Size	Type of Insurance Required	Has Insurance Premium Increased?	How Much Has Insurance Premium Increased?
1	Food/Restaurant, Hospitality	2-15 employees	•General liability insurance	No	A moderate amount
2	Social Services	2-15 employees	•General liability insurance •Interruption insurance •Property insurance	Yes	A great deal
3	Construction	2-15 employees	•General liability insurance	Yes	A little
4	Construction	2-15 employees	•Automobile insurance •general liability insurance •Property insurance	Yes	A moderate amount
5	Construction	2-15 employees	•Automobile insurance •general liability insurance •Property insurance	Yes	A moderate amount
6	Healthcare	16-50 employees	•General liability insurance	Yes	A moderate amount
7	Agriculture	0-1 employees	•Automobile insurance •general liability insurance •Property insurance •Interruption insurance	Yes	A moderate amount
8	Construction	16-50 employees	•Automobile insurance •General liability insurance •Property insurance •Interruption insurance	Yes	A great deal
9	Construction	2-15 employees	•Automobile insurance •General liability insurance •Property insurance	Yes	A moderate amount
10	Energy, Utilities	51-500 employees	•Automobile insurance •General liability insurance •Property insurance •Interruption insurance •Cyber insurance	Yes	A great deal
11	Media, Entertainment, Creative Industry	0-1 employees	•General liability insurance	Yes	A little
12	Construction	2-15 employees	•General liability insurance	-	-
13	Commercial & Professional Services	2-15 employees	•General liability insurance •Interruption insurance •Property insurance •Cyber insurance	Yes	A lot
14	Construction	2-15 employees	•Automobile insurance •General liability insurance •Interruption insurance •Property insurance	Yes	A little
15	Media, Entertainment, Creative Industry	51-500 employees	•General liability insurance •Property insurance •Cyber insurance	Yes	A moderate amount
16	Retail, E-Commerce	2-15 employees	•General liability insurance •Property insurance	Yes	A great deal
17	Not-for-profit	0-1 employees	•General liability insurance •Property insurance	Yes	A little

Exhibit 6: Questionnaire Responses (continued)

Survey Respondent	“Insurance Premium increasing have been justified.”	Has the cost of insurance affected your ability to purchase a suitable policy?	If “yes” please provide detail	Have you been unable to find appropriate insurance coverage for specific risks?	If “yes” please provide detail
1	Neither agree nor disagree	No	-	No	-
2	Strongly agree	Yes	Cannot afford adequate coverage due to high costs	No	Limited companies provide the coverage as we are categorized as high risk
3	Neither agree nor disagree	No	-	No	-
4	Somewhat disagree	Yes	Cost of exact coverage we wanted was prohibitive. Keeping extra cash in hand to cover emergencies.	No	-
5	Strongly disagree	Yes	-	Yes	-
6	Somewhat disagree	Yes	-	No	-
7	Somewhat disagree	No	-	Yes	-
8	Somewhat disagree	No	-	No	-
9	Neither agree nor disagree	No	-	No	-
10	Somewhat agree	No	-	Yes	Cyber Insurance
11	Neither agree nor disagree	Yes	-	Yes	-
12	-	-	-	-	-
13	Strongly agree	No	-	No	-
14	Somewhat agree	No	-	No	-
15	Somewhat disagree	No	-	No	-
16	Somewhat disagree	No	-	No	-
17	Neither agree nor disagree	No	-	No	-